

CITY OF CORYDON

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

**FOR THE PERIOD
JULY 1, 2020 THROUGH JUNE 30, 2021**

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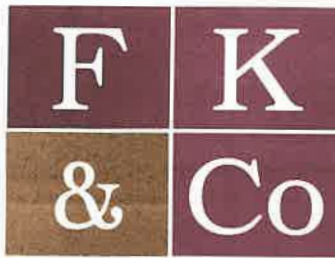
City of Corydon

City of Corydon

Officials

<u>Name</u>	<u>Title</u>	<u>Expires</u>
Dennis Moorman (1)	Mayor	Resigned
Nathan Bennett (2)	Mayor	Jan 2022
Kenneth Holmes	Council Member	Jan 2024
Dawn Christian	Council Member	Jan 2024
Stan Rupe	Council Member	Jan 2022
Nathan Bennett (3)	Council Member	Resigned
Amber Rodgers	Council Member	Jan 2024
Kyle Hampton (4)	Council Member	Jan 2022
Eva Moore (5)	Clerk	Indefinite
Stacy Gibbs (6)	Clerk	Indefinite
Verle Norris	Attorney	Indefinite

- (1) Resigned in October 2020.
- (2) Appointed in November 2020.
- (3) Resigned Council member position when appointed Mayor in November 2020.
- (4) Elected in April 2021 by special election.
- (5) Resigned in January 2021.
- (6) Appointed in March 2021.



FALLER, KINCHELOE & CO, PLC

Certified Public Accountants

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor and Members of the City Council:

We performed the procedures below, which were established at Iowa Code Chapter 11.6, to provide oversight of Iowa cities. Accordingly, we have applied certain procedures to selected accounting records and related information of the City of Corydon for the period July 1, 2020 through June 30, 2021, including procedures related to the City's compliance with certain Code of Iowa requirements identified below. The City of Corydon's management, which agreed to the performance of the procedures performed, is responsible for compliance with these requirements and for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The City of Corydon's management has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose to report, in accordance with Chapter 11.6 of the Code of Iowa, recommendations pertaining to selected accounting records and related information of the City including the City's compliance with certain Code of Iowa requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures we performed are summarized as follows:

1. We observed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We obtained an understanding of the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We observed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.

4. We obtained and observed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We scanned City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We observed the City's fiscal year 2021 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We scanned investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We scanned depository resolutions, the City's investment policy and reporting of unclaimed property to the State of Iowa to determine compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa.
9. We scanned debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. The City had no TIF.
11. We traced selected receipts to accurate accounting and consistency with the recommended COA.
12. We traced voter approved levies to proper authorization in accordance with Chapter 384.12 of the Code of Iowa.
13. We traced selected disbursements to proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We traced transfers between funds to proper authorization and accurate accounting and to determine whether transfers were proper.
15. We traced selected payroll and related transactions to proper authorization and accurate accounting and determined whether payroll was proper.
16. We observed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various findings and recommendations for the City. Our findings and recommendations are described in the Detailed Findings and Recommendations section of this report. Unless reported in the Detailed Findings and Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were engaged by the City of Corydon's management to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on specific accounting records and related information of the City, including compliance with specific Code of Iowa requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City of Corydon and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

The purpose of this report is to report, in accordance with Chapter 11.6 of the Code of Iowa, certain agreed-upon procedures and the resulting findings and recommendations pertaining to selected accounting records and related information of the City, including the City's compliance with certain Code of Iowa requirements. This report is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Corydon during the course of our agreed-upon procedures engagement. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

A handwritten signature in cursive script that reads "Faller, Kincheloe & Co, PLC".

Faller, Kincheloe & Co, PLC

November 24, 2021

Detailed Findings and Recommendations

CITY OF CORYDON
DETAILED RECOMMENDATIONS
For the period July 1, 2020 through June 30, 2021

(A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one or two individuals have control over each of the following areas for the City of Corydon (City) and the Corydon Public Library:

1. Cash – handling, reconciling and recording.
2. Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
3. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
4. Payroll – recordkeeping, preparation and distribution.
5. Utilities – billing, collecting, depositing and posting.
6. Financial reporting – preparing and reconciling.
7. Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City and the Corydon Public Library should review their control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

(B) Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title and Business Connection	Transaction Description	Amount
Kenneth Holmes, Council Member, Owner of Holmes Tiling, Inc.	Repairs	\$4,087
Nathan Bennett, Mayor/ Council Member, Owner of Dannco, Inc.	Supplies	\$49

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the above transactions do not appear to represent a conflict of interest since total transactions with each business were less than \$6,000 during the fiscal year.

(C) Financial Condition – At June 30, 2021, the City had a deficit balance of 19,725 in the Capital Project, Swimming Pool Project Fund.

Recommendation – The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial condition.

CITY OF CORYDON
DETAILED RECOMMENDATIONS
For the period July 1, 2020 through June 30, 2021

(D) Water and Sewer Revenue Bonds – The provisions of the water and sewer revenue bonds require sufficient monthly transfers to be made to a separate water revenue bond sinking account and sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due. The City has not consistently made timely monthly transfers to the water revenue bond sinking account and sewer revenue bond sinking account during the fiscal year as required.

Recommendation – The City should ensure timely monthly transfers are made to the water revenue bond sinking account and the sewer revenue bond sinking account as required.

(E) Bank Reconciliation – At June 30, 2021, for one bank account, the reconciled cash balance on the bank statement reconciliation was \$2,717,634; however, the reconciled cash balance as recorded on the bank cash report was \$2,713,522 at June 30, 2021. To ensure a proper reconciliation, these two amounts should be the same at the same point in time.

Recommendation – The City should ensure the reconciled cash balance on the bank statement reconciliation agrees with the cash balance as recorded on the bank cash report at the same point in time.

(F) City Council Minutes – The following concerns were identified during our review of the City Council minutes and related information:

- Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. Minutes for two of four meetings tested were not published within fifteen days.
- Chapter 372.13(6) of the Code of Iowa requires the proceedings of the City Council to be published, including total disbursements from each fund, a summary of all receipts, a list of claims allowed and the gross amount of the claims. We noted that these requirements were not met by the City for some meetings tested.
- The City Council went into closed session at various times during the fiscal year. The City Council minutes did not consistently document the vote of each member to go into closed session, as required by Chapter 21.5(2) of the Code of Iowa.
- Two of the four City Council minutes tested were not signed by the City Clerk, as required by Chapter 380.7 of the Code of Iowa.
- An instance was noted where an ordinance was not published, as required by Chapter 380.7 and Chapter 362.3 of the Code of Iowa.

CITY OF CORYDON
DETAILED RECOMMENDATIONS
For the period July 1, 2020 through June 30, 2021

Recommendation – The City should comply with Chapter 372.13(6) of the Code of Iowa. Specifically, the City should ensure the City Council minutes are published and are published in a timely manner. In addition, the City should implement procedures to ensure total disbursements from each fund, summary of all receipts, a list of claims allowed and the gross amount of the claims are published as required. The City should also ensure compliance with Chapter 21.5 of the Code of Iowa in relation to closed sessions. Also, the City should ensure compliance with Chapter 380.7 of the Code of Iowa in relation to signing of the City Council minutes and Chapters 380.7 and 362.3 of the Code of Iowa in relation to the publication of ordinances.

- (G) Receipt Classifications – We noted that for three months in fiscal year 2021, all of the property taxes received were credited to the Debt Service Fund. These property tax receipts should have been credited to the various property tax funds and not all to the Debt Service Fund.

Recommendation – The City should implement procedures to ensure all property tax monies received are credited to the appropriate funds.

- (H) Interfund Transfers – After April 17, 2019, interfund transfers were not passed by resolution as required by Iowa Administrative Code Section 545-2.1.

Recommendation – The City should implement procedures to ensure compliance with the State of Iowa requirements in relation to interfund transfers.

- (I) 1099-Misc and 1099-NEC Forms – No evidence could be located that the City issued 1099-Misc and 1099-NEC Forms as required by Internal Revenue Service requirements.

Recommendation – The City implement procedures to ensure Internal Revenue Service 1099-Misc and 1099-NEC forms are issued as required.

- (J) Payroll – Although time sheets were maintained for all employees, instances were noted where there was no indication the time sheets had been reviewed and approved by appropriate supervisory personnel prior to preparation of the payroll.

In addition, due to employees' failure to clock out, it appears an employee was paid overtime for 14 hours that was not actually worked.

Recommendation – Time sheets should be reviewed and approved by appropriate supervisory personnel prior to preparation of payroll. The approval should be documented by the signature or initials of the reviewer and the date of the review. In addition, the City should implement procedures to ensure all employees' are paid the correct amount based on hours worked.

CITY OF CORYDON
DETAILED RECOMMENDATIONS
For the period July 1, 2020 through June 30, 2021

(K) Certified Budget – Disbursements during the year ended June 30, 2021 exceeded the amounts budgeted in the general government function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.